

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a component Unit of the Massachusetts Department of Transportation)

Basic Financial Statements, Supplementary Data
For the Years Ended June 30, 2012 and 2011

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

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MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2012

The management of the Martha's Vineyard Regional Transit Authority (the Authority) has generated this narrative overview and analysis to assist our readers in understanding the Authority's basic financial statements.

Financial Highlights

- * The assets of the Authority exceeded its liabilities at June 30, 2012 by \$10,013,000.
- * The Authority's total net assets decreased by \$674,000. This decrease was caused primarily by a decrease in capital funding.
- * The total operating revenue increased from \$1,462,000 in fiscal year 2011 to \$1,488,000 in fiscal year 2012, a \$26,000 increase.
- * The operating expenses increased from \$5,250,000 in fiscal year 2011 to \$5,440,000 in fiscal year 2012, a \$190,000 increase.
- * The Authority expended \$475,000 for capital assets. The full amount was expended for buses, vans, and related equipment. These acquisitions were funded by Commonwealth capital appropriations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of the following: Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, Statement of Cash Flows and the Notes to the Financial Statements.

The statement of net assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses and changes in net assets presents information showing how the assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected receivables or unpaid accounts payable).

The statement of cash flows indicates the sources of the Authority's cash inflows and the uses of its cash outflows.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

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FOR THE YEAR ENDED JUNE 30, 2012

Financial Position Analysis

The following is a condensed statement of net assets. It also indicates percentage changes in the Authority's assets, liabilities and net assets.

Statement of Net Assets
(000 omitted)

| | 2012 | 2011 | Percentage Change |
|----------------------------|------------------|------------------|----------------------|
| Current assets | \$ 4,450 | \$ 4,296 | 4% |
| Capital assets, net | 9,655 | 10,331 | -7% |
| Other noncurrent assets | 717 | 1,952 | -63% |
| Total assets | <u>14,822</u> | <u>16,579</u> | <u>-11%</u> |
| Noncurrent liabilities | 4,143 | 5,631 | -26% |
| Current liabilities | 666 | 261 | 155% |
| Total liabilities | <u>4,809</u> | <u>5,892</u> | <u>-18%</u> |
| Net assets | | | |
| Invested in capital assets | 9,655 | 10,331 | -7% |
| Restricted | 270 | 270 | 0% |
| Unrestricted | 88 | 86 | 2% |
| Total net assets | <u>\$ 10,013</u> | <u>\$ 10,687</u> | <u>-6%</u> |

Net assets may serve over time as a useful indicator of an Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$10,013,000 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net assets (96 percent) reflects its investment in capital assets (e.g., Buses and vans, equipment and leasehold improvement - building). The Authority uses these capital assets to provide transportation services to the general public; consequently, these assets are not available for future spending.

An additional portion of the Authority's net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The restricted net assets is comprised of the reserve for extraordinary expense, \$152,000 and the stabilization fund, \$118,000.

The remaining balance of unrestricted net assets, \$88,000 (1%), may be used to meet the Authority's ongoing obligations to creditors.

At the end of the current fiscal year, the Authority is able to report positive balances in all three categories of net assets.

The Authority's net assets decreased by \$674,000 (6%) during the current fiscal year. Refer to the statement of revenues, expenses and changes in net assets for details.

The Authority's total debt decreased by \$1,083,000 (18%) during the current year. This decrease was caused primarily by decreases in the revenue anticipation notes and accounts payable that are related to capital asset acquisitions.

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FOR THE YEAR ENDED JUNE 30, 2012

Operations Analysis

The following is the Authority's statement of revenues, expenses and changes in net assets. It also indicates percentage changes in the various accounts.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(000 omitted)

| | <u>2012</u> | <u>2011</u> | <u>Percentage Change</u> |
|---|------------------|------------------|------------------------------|
| Operating revenues | | | |
| Transportation services | \$ 1,488 | \$ 1,462 | 2% |
| Operating expenses | | | |
| Cost of services, maintenance and administration | 4,330 | 4,201 | 3% |
| Depreciation | 1,110 | 1,049 | 6% |
| | <u>5,440</u> | <u>5,250</u> | <u>4%</u> |
| Operating loss | <u>(3,952)</u> | <u>(3,788)</u> | <u>4%</u> |
| Nonoperating revenues and (expenses) | | | |
| Operating assistance | 2,878 | 2,832 | 2% |
| Other nonoperating | (75) | (45) | 67% |
| | <u>2,803</u> | <u>2,787</u> | <u>1%</u> |
| Loss before capital contribution | <u>(1,149)</u> | <u>(1,001)</u> | <u>15%</u> |
| Capital contributions | | | |
| Commonwealth and Federal appropriations | 475 | 2,003 | -76% |
| | <u>475</u> | <u>2,003</u> | <u>-76%</u> |
| Increase (decrease) in net assets | <u>(674)</u> | <u>1,002</u> | <u>-167%</u> |
| Net assets | | | |
| Beginning of year | 10,687 | 9,685 | 10% |
| End of year | <u>\$ 10,013</u> | <u>\$ 10,687</u> | <u>-6%</u> |

The Authority's operating loss increased by \$164,000 from the prior year.

Operating revenues increased \$26,000 (2%) and was caused by an increase in ridership.

Operating expenses increased by \$190,000 (4%).

Nonoperating revenues increased by \$16,000 (1%).

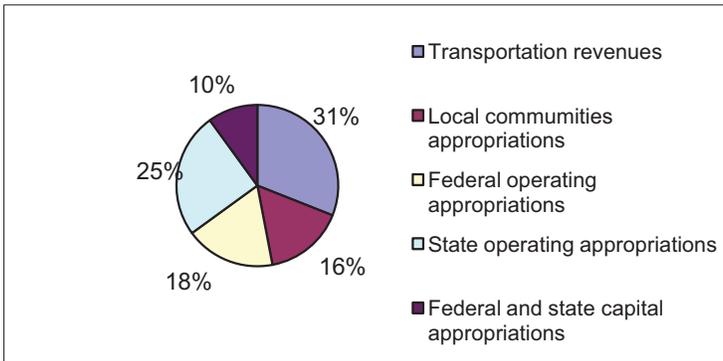
Capital contributions decreased by \$1,528,000 (76%).

The "Increase (decrease) in net assets" decreased by \$1,676,000 (167%).

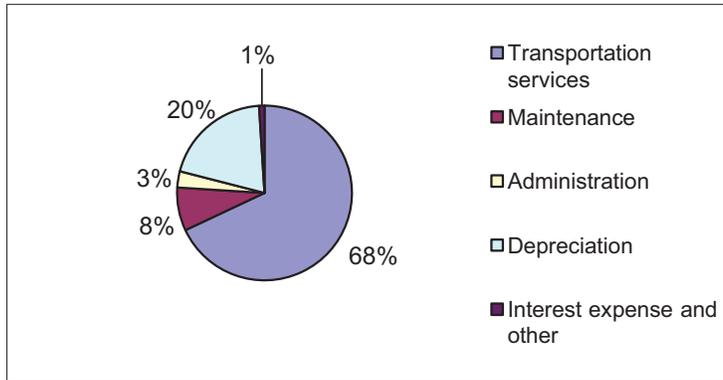
MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
 FOR THE YEAR ENDED JUNE 30, 2012

The revenues and expenses by source are delineated in the following graphs:

Revenues by source:



Expenses by source:



Financial Ratios

"Working Capital" is the amount by which current assets exceed current liabilities. The Current Ratio, which compares current assets to current liabilities, is an indicator of the ability to pay current obligations.

| | <u>2012</u> | <u>2011</u> |
|-----------------|--------------|--------------|
| Working Capital | \$ 3,784,000 | \$ 4,035,000 |
| Current ratio | 7:1 | 16:1 |

The working capital and current ratio indicate that the Authority has an excellent ability to meet current obligations.

"Liabilities to Net Assets" indicates the extent of borrowing.

| | <u>2012</u> | <u>2011</u> |
|---------------------------|-------------|-------------|
| Liabilities to net assets | 48% | 55% |

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FOR THE YEAR ENDED JUNE 30, 2012

Capital and Debt Administration

Capital Assets

The Authority's investment in capital assets as of June 30, 2012 amounted to \$9,655,000, net of accumulated depreciation. The investment in capital assets includes Buses and vans, equipment, leasehold improvement - building and intangible assets. The total net decrease in capital assets for the current year was \$676,000 or a 7% decrease.

During the current year, the most significant capital asset events were the acquisition of rolling stock in the amount of \$475,000.

Capital assets at year-end net of depreciation
(000 omitted)

| | <u>2012</u> | <u>2011</u> |
|----------------------------------|-----------------|------------------|
| Leasehold improvement - building | \$ 3,824 | \$ 3,824 |
| Buses and vans | 9,187 | 9,537 |
| Equipment | 810 | 821 |
| Intangible assets | <u>1,620</u> | <u>1,620</u> |
| | 15,441 | 15,802 |
| Accumulated depreciation | <u>(5,786)</u> | <u>(5,471)</u> |
| | <u>\$ 9,655</u> | <u>\$ 10,331</u> |

Revenue Anticipation Notes

The Authority had revenue anticipation notes of \$4,000,000 and \$4,250,000 at the end of 2012 and 2011, respectively.

Economic Factors

Funding for the Authority's net cost of service (noncapital expenses less all noncapital revenues except state contract assistance and member municipality assessments) is dependent primarily (60%) on operating assistance from the Commonwealth of Massachusetts. This operating assistance is funded a year in arrears by the State (the Authority's fiscal year 2012 assistance will be included in the Commonwealth's fiscal 2013 budget). The balance (40%) of the Authority's net cost of service is funded through assessments to member communities. These assessments may increase annually in the aggregate by no more than 2 1/2%, plus the members share of any new services.

Demand for the Authority's services is mainly affected by the overall economy, seasonality and weather conditions. The Authority's operating revenue for the past three years are as follows:

| | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-----------------|--------------|--------------|--------------|
| Farebox revenue | \$ 1,175,000 | \$ 1,247,000 | \$ 1,313,000 |
| Other revenue | 211,000 | 215,000 | 181,000 |

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2012

Contacting the Authority's Financial Management

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions or need additional information, contact Angela Grant, Administrator, Martha's Vineyard Regional Transit Authority, 11 A Street, Edgartown, MA 02539.

Bruce D. Norling, CPA, P.C.

INDEPENDENT AUDITORS' REPORT

The Advisory Board
Martha's Vineyard Regional Transit Authority

We have audited the accompanying statement of net assets of Martha's Vineyard Regional Transit Authority (the Authority), a component unit of the Massachusetts Department of Transportation, as of June 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated August 29, 2012 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The supplementary information included in the accompanying schedules 1, 2, and 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bruce D. Norling, CPA, P.C.

August 29, 2012

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Statement of Net Assets
June 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|--|----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 23,088 | \$ 722,646 |
| Receivable for operating assistance | 4,084,344 | 3,153,298 |
| Other current assets | 342,225 | 420,455 |
| Total current assets | <u>4,449,657</u> | <u>4,296,399</u> |
| Noncurrent assets | | |
| Restricted assets | | |
| Cash and cash equivalents | 269,590 | 545,921 |
| Receivable for capital assistance | 143,123 | 1,104,673 |
| Total restricted assets | <u>412,713</u> | <u>1,650,594</u> |
| Receivable for operating assistance | 305,137 | 300,342 |
| Capital assets, net | 9,654,874 | 10,331,434 |
| Total noncurrent assets | <u>10,372,724</u> | <u>12,282,370</u> |
| Total assets | <u>14,822,381</u> | <u>16,578,769</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued expense | 613,533 | 208,231 |
| Deferred revenue | 52,368 | 52,368 |
| Total current liabilities | <u>665,901</u> | <u>260,599</u> |
| Noncurrent liabilities | | |
| Liabilities payable from restricted assets | | |
| Accounts payable and accrued expense | 143,123 | 1,381,004 |
| Revenue anticipation notes | 4,000,000 | 4,250,000 |
| Total noncurrent liabilities | <u>4,143,123</u> | <u>5,631,004</u> |
| Total liabilities | <u>4,809,024</u> | <u>5,891,603</u> |
| NET ASSETS | | |
| Invested in capital assets | 9,654,874 | 10,331,434 |
| Restricted | 269,590 | 269,590 |
| Unrestricted | 88,893 | 86,142 |
| Total net assets | <u>\$ 10,013,357</u> | <u>\$ 10,687,166</u> |

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|--|----------------------|----------------------|
| Operating revenues | | |
| Transportation services | \$ 1,488,115 | \$ 1,461,760 |
| Operating expenses | | |
| Cost of services, maintenance and administration | | |
| Transportation service | 3,724,099 | 3,547,237 |
| Maintenance | 418,301 | 488,131 |
| General and administration | <u>187,524</u> | <u>165,709</u> |
| | 4,329,924 | 4,201,077 |
| Depreciation | <u>1,109,678</u> | <u>1,049,337</u> |
| | <u>5,439,602</u> | <u>5,250,414</u> |
| Operating loss | 3,951,487 | 3,788,654 |
| Nonoperating revenues and (expenses) | | |
| Operating assistance grants | | |
| Federal | 899,461 | 940,459 |
| State | 1,191,870 | 1,125,375 |
| Local | 786,299 | 767,121 |
| Loss on disposal of capital assets | (39,275) | (7,462) |
| Interest expense | <u>(35,821)</u> | <u>(37,545)</u> |
| | <u>2,802,534</u> | <u>2,787,948</u> |
| Loss before capital contributions | 1,148,953 | 1,000,706 |
| Capital contributions | | |
| Commonwealth of Massachusetts appropriations | 475,144 | 1,487,000 |
| Federal appropriations | <u>475,144</u> | <u>516,319</u> |
| | <u>475,144</u> | <u>2,003,319</u> |
| Increase (decrease) in net assets | (673,809) | 1,002,613 |
| Total net assets | | |
| Beginning of year | 10,687,166 | 9,684,553 |
| End of year | <u>\$ 10,013,357</u> | <u>\$ 10,687,166</u> |

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Statement of Cash Flows

Year Ended June 30, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|--|-----------------------|-----------------------|
| Cash flows from operating activities | | |
| Receipts from customers and operating grants | \$ 1,469,041 | \$ 1,421,041 |
| Payments to vendors and suppliers | (3,268,723) | (3,638,030) |
| Payments to employees | (523,504) | (517,139) |
| Payments of fringe | <u>(154,287)</u> | <u>(280,567)</u> |
| Net cash used in operations | <u>(2,477,473)</u> | <u>(3,014,695)</u> |
| Cash flows from noncapital financing activities | | |
| Proceeds from revenue anticipation notes | 4,000,000 | 4,250,000 |
| Repayment of revenue anticipation notes | (4,250,000) | (3,500,000) |
| Operating assistance grants | 1,960,863 | 2,739,440 |
| Interest on notes | <u>(44,382)</u> | <u>(52,355)</u> |
| Net cash provided by noncapital financing activities | <u>1,666,481</u> | <u>3,437,085</u> |
| Cash flows from capital and related financing activities | | |
| Acquisition of capital assets | (1,551,317) | (878,016) |
| Capital contributions | | |
| Federal capital appropriations | | 532,214 |
| Commonwealth of Massachusetts capital appropriations | 1,377,963 | 424,689 |
| Proceeds from sale of capital assets | <u>2,751</u> | <u></u> |
| Net cash provided by (used in) capital and related financing activities | <u>(170,603)</u> | <u>78,887</u> |
| Cash flows from investing activities | | |
| Interest income | <u>5,706</u> | <u>4,111</u> |
| Net cash provided by investing activities | <u>5,706</u> | <u>4,111</u> |
| Net increase (decrease) in cash and cash equivalents | (975,889) | 505,388 |
| Cash and cash equivalents at beginning of year | <u>1,268,567</u> | <u>763,179</u> |
| Cash and cash equivalents at end of year | <u>\$ 292,678</u> | <u>\$ 1,268,567</u> |
| Reconciliation of operating loss to net cash provided by operations | | |
| Operating loss | \$ (3,951,487) | \$ (3,788,654) |
| Adjustments to reconcile the operating loss to net cash used in operating activities: | | |
| Depreciation expense | 1,109,678 | 1,049,337 |
| Changes in assets and liabilities: | | |
| Receivables, net | (19,074) | (40,719) |
| Other assets | 78,230 | (172,841) |
| Accounts payable and accrued expense | <u>305,180</u> | <u>(61,818)</u> |
| Net cash used in operations | <u>\$ (2,477,473)</u> | <u>\$ (3,014,695)</u> |
| Supplemental disclosures of noncash transactions | | |
| Capital assets purchased on behalf of the Authority by the Commonwealth of Massachusetts | \$ 58,731 | \$ None |
| At June 30, 2012 and 2011, the Authority had capital expenditures that were included in accounts payable | 143,123 | 1,381,004 |

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2012 and 2011

1. The Authority and Operators

The Martha's Vineyard Regional Transit Authority (the Authority) is a component unit of the Massachusetts Department of Transportation (MassDOT) and MassDOT is a component unit of the Commonwealth of Massachusetts (the Commonwealth). The Authority was established as a political subdivision of the Commonwealth on February 15, 1980, by the various towns constituting the Authority, pursuant to Section 3 of Chapter 161B of the General Laws of the Commonwealth, for the purpose of continuing and improving local transit service. The communities that presently comprise the Authority are Aquinnah, Chilmark, Edgartown, Oak Bluffs, Tisbury and West Tisbury. The Authority does not have any stockholders or equity holders.

The Authority is managed by an Administrator appointed by an Advisory Board. The Advisory Board is made up of appointed representatives from the member communities. The Authority's operations are primarily funded through passenger fares, contractual reimbursements and operating subsidies from federal and state governments and the member communities. In addition, the Authority receives federal and state capital grants that are used to finance acquisitions and improvements of facilities and equipment.

The operation of the Authority was performed by the Transit Connection, Incorporated (the Operator). The Operator functions under terms and agreements whereby it provides mass transit along such routes and according to such schedules as may be defined by the Authority. The current agreement terminates January 31, 2013. The contract may be terminated by either party with ninety day's notice.

The Authority also has a brokerage service program, whereby, the Authority contracts with various social service agencies to provide public transportation to their clients. The operation of this program is also provided by the Operator.

2. Summary of Significant Accounting Policies

a) Measurement Focus, Basis of Accounting and Financial Reporting Presentation – The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government entities. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under these standards, the Authority is defined as a special-purpose government, engaged only in business-type activities.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized at the time transportation services are provided. Deferred revenue represents cash received in advance of future services.

The Authority distinguishes between operating revenues and expenses and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing transit services to the general public. The Authority's principal operating revenue is passenger fares. Operating expenses include the cost of transit services, provided by third party vendors, maintenance, administrative and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2012 and 2011

2. Summary of Significant Accounting Policies (continued)

b) Adoption of New Accounting Pronouncements - In December, 2010, the GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: 1) Financial Accounting Standards Board (FASB) Statements and Interpretations, 2) Accounting Principles Board Opinions and 3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The adoption of this statement did not have a material impact on the Authority's financial statements.

The GASB has issued the following statements, which require adoption subsequent to June 30, 2012, and may be applicable to the Authority. The Authority has not yet adopted these statements, and the implications on the Authority's fiscal practices and financial reports is being evaluated.

| <u>Statement No.</u> | <u>Adoption Required in Fiscal Year</u> |
|--|---|
| 61 <i>The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34</i> | 2013 |
| 63 <i>Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position</i> | 2013 |
| 65 <i>Items previously reported as Assets and Liabilities</i> | 2014 |
| 66 <i>Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62</i> | 2014 |

c) Capital Grants – The Authority receives capital grants from the United States Department of Transportation and the Commonwealth to be used for various purposes connected with the planning, modernization and expansion of transportation service. Pursuant to GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", these grants are reflected in the accompanying statement of revenues, expenses and changes in net assets as revenue in the capital contributions category.

d) Statement of Cash Flows – For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

e) Restricted Assets and Restricted Liabilities – Restricted assets are restricted for the acquisition of capital assets, the stabilization fund and the reserve for extraordinary expense. Restricted liabilities are amounts payable from the restricted assets.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2012 and 2011

2. Summary of Significant Accounting Policies (continued)

f) Capital Assets – Capital assets are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the economic useful lives of the assets. The estimated useful lives are as follows:

| | |
|------------------------|--------------|
| Leasehold Improvements | 40 years |
| Vehicles | 5 – 12 years |
| Equipment | 5 – 7 years |

The Authority's capitalization policy is to capitalize all assets acquired with capital funds regardless of the dollar amount.

g) Net Assets – Net assets are reported in classifications that conform to the use of those net assets. The categories of reporting net assets are (1) amounts invested in capital assets – net of related debt, (2) amounts that are legally or statutorily restricted as to their use – net of related debt, and (3) amounts that are unrestricted.

h) Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Some of the Authority's more significant estimates relate to grant receivables and related income, capital asset and common carrier rights impairment and certain accrued expenses. Actual results could differ from those estimates.

i) Reclassifications – Certain prior period amounts have been reclassified to conform to current year presentation.

3. Cash and Cash Equivalents

State and local statutes place certain limitations on the nature of deposits and investments available to the Authority. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. Government or its agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Custodial credit risk exists for cash deposits when, in the event of the failure of a depository financial institution, the Authority's deposits will not be recovered. The Authority does not have a formal policy with regard to custodial credit risk, but generally invests its funds in deposits that are collateralized with securities held by the pledging financial institution's trust department in the financial institution's name.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2012 and 2011

3. Cash and Cash Equivalents (continued)

The total amounts of Authority deposits in financial institutions, per the bank statements, at June 30, 2012 and 2011 are as follows:

| | <u>2012</u> | <u>2011</u> |
|--|-------------------|---------------------|
| Deposits covered by: | | |
| Federal Depository Insurance Corporation | \$ 257,352 | \$ 1,410,563 |
| Collateralized with pledged securities | 114,485 | 130,386 |
| Total balance per banks | <u>\$ 371,837</u> | <u>\$ 1,540,949</u> |

Cash and cash equivalents reported in the accompanying statement of net assets as of June 30, 2012 and 2011, respectively are as follows:

| | <u>2012</u> | <u>2011</u> |
|--|-------------------|---------------------|
| Current assets - cash and cash equivalents | \$ 23,088 | \$ 722,646 |
| Noncurrents assets - restricted funds | 269,590 | 545,921 |
| Total | <u>\$ 292,678</u> | <u>\$ 1,268,567</u> |

The composition and amount of the Authority's cash and cash equivalents fluctuates during the fiscal year. The primary reason for the fluctuation involves the timing of the proceeds of borrowings, collections of federal, state and local aid, and capital outlays made.

4. Grants

Under various sections of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), of 2005, the United States Department of Transportation approves capital grants to fund from 80% - 100% of the Authority's capital improvement projects. There were no federal capital appropriations for 2012 and 2011. Any remaining portion, if applicable, is financed through Commonwealth capital appropriations. The amount of Commonwealth appropriations for 2012 and 2011 was \$475,144 and \$1,487,000, respectively.

Further, pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA), the United States Department of Transportation approves capital grants to fund 100% of the Authority's capital improvement projects. ARRA capital appropriations for 2012 and 2011 were none and \$516,319, respectively.

In addition, the Authority is eligible for grants for operating assistance from the United States Department of Transportation. Pursuant to various sections of SAFETEA-LU, the federal government may fund up to 100% of the Authority's net operating expenses. Funding was \$847,719 and \$738,717 for 2012 and 2011, respectively.

Further, under the American Recovery and Reinvestment Act of 2009 (ARRA), the United States Department of Transportation may fund up to 100% of the Authority's net operating expenses. ARRA operating funding for 2012 and 2011 was \$51,742 and \$201,742, respectively.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements
June 30, 2012 and 2011

4. Grants (continued)

The Authority has a contract with the Commonwealth for operating assistance as provided for in the enabling legislation. The contract provides that the Commonwealth will pay the Authority a portion of its net cost of service. The amount of this contract assistance for 2012 and 2011 was \$1,191,870 and \$1,125,375. In addition, the various towns constituting the Authority provided operating assistance. The amount of this assistance was \$786,299 and \$767,121 for 2012 and 2011, respectively.

5. Receivable for Operating and Capital Assistance

The receivable for operating and capital assistance is current and disaggregated as follows:

| | <u>2012</u> | <u>2011</u> |
|--|--------------|--------------|
| <u>Current</u> | | |
| Operating assistance | | |
| Commonwealth of Massachusetts | | |
| Operating appropriations | \$ 1,300,432 | \$ 1,233,937 |
| United States Department of Transportation - | | |
| Pass-through grants through the Commonwealth | | |
| Operating grants | | |
| Rural area assistance | 1,472,276 | 738,717 |
| American Recovery and Reinvestment Act | 51,742 | 51,742 |
| New Freedom Program | 256,319 | 90,417 |
| Local operating assistance to be billed to | | |
| the Towns constituting the Authority and | | |
| paid by the Commonwealth to the Authority | 1,178,460 | 1,227,649 |
| Other accounts receivable | 130,252 | 111,178 |
| Total operating assistance | 4,389,481 | 3,453,640 |
| Less noncurrent portion | (305,137) | (300,342) |
| Total current operating assistance | \$ 4,084,344 | \$ 3,153,298 |
| | <u>2012</u> | <u>2011</u> |
| <u>Noncurrent</u> | | |
| Capital assistance | | |
| Commonwealth of Massachusetts | \$ 143,123 | \$ 1,104,673 |
| Total capital assistance | \$ 143,123 | \$ 1,104,673 |

6. Other Current Assets

The other current asset balance includes a motor vehicle parts and fuel inventory for 2012 and 2011 of approximately \$331,000 and \$266,000, respectively. This inventory is stated at the lower of cost or market on a first-in, first-out basis.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2012 and 2011

7. Capital Assets and Depreciation

The capital asset activity for the year ended June 30, 2012, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|------------------|---------------------|
| Capital assets not being depreciated | | | | |
| Common carrier rights | \$ 1,620,000 | \$ - | \$ - | \$ 1,620,000 |
| Subtotal | <u>1,620,000</u> | <u>-</u> | <u>-</u> | <u>1,620,000</u> |
| Depreciable capital assets | | | | |
| Leasehold improvements | | | | |
| Building | 3,824,761 | | | 3,824,761 |
| Vehicles | 9,536,654 | 475,144 | 825,434 | 9,186,364 |
| Equipment | 820,792 | | 10,730 | 810,062 |
| Subtotal | <u>14,182,207</u> | <u>475,144</u> | <u>836,164</u> | <u>13,821,187</u> |
| Accumulated depreciation | <u>5,470,773</u> | <u>1,109,678</u> | <u>794,138</u> | <u>5,786,313</u> |
| Net depreciable assets | <u>8,711,434</u> | <u>(634,534)</u> | <u>42,026</u> | <u>8,034,874</u> |
| Net depreciable and net capital assets | <u>\$ 10,331,434</u> | <u>\$ (634,534)</u> | <u>\$ 42,026</u> | <u>\$ 9,654,874</u> |

The capital asset activity for the year ended June 30, 2011, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-------------------|-----------------|----------------------|
| Capital assets not being depreciated | | | | |
| Common carrier rights | \$ 1,620,000 | \$ - | \$ - | \$ 1,620,000 |
| Subtotal | <u>1,620,000</u> | <u>-</u> | <u>-</u> | <u>1,620,000</u> |
| Depreciable capital assets | | | | |
| Leasehold improvements | | | | |
| Building | 3,824,761 | | | 3,824,761 |
| Vehicles | 7,785,554 | 1,751,100 | | 9,536,654 |
| Equipment | 710,104 | 250,089 | 139,401 | 820,792 |
| Subtotal | <u>12,320,419</u> | <u>2,001,189</u> | <u>139,401</u> | <u>14,182,207</u> |
| Accumulated depreciation | <u>4,553,375</u> | <u>1,049,337</u> | <u>131,939</u> | <u>5,470,773</u> |
| Net depreciable assets | <u>7,767,044</u> | <u>951,852</u> | <u>7,462</u> | <u>8,711,434</u> |
| Net depreciable and net capital assets | <u>\$ 9,387,044</u> | <u>\$ 951,852</u> | <u>\$ 7,462</u> | <u>\$ 10,331,434</u> |

Depreciation expense for 2012 and 2011 was \$1,109,678 and \$1,049,337, respectively.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2012 and 2011

8. Accounts Payable and Accrued Expense

The accounts payable and accrued expense balance is current and disaggregated as follows:

| | <u>2012</u> | <u>2011</u> |
|-------------------------------|-------------------|-------------------|
| Payable to general vendors | \$ 533,708 | \$ 172,453 |
| Accrued salaries and benefits | 76,811 | 29,910 |
| Accrued interest | 3,014 | 5,868 |
| | <u>\$ 613,533</u> | <u>\$ 208,231</u> |

9. Revenue Anticipation Notes

The Authority is subsidized by the Commonwealth for its annual "Net Cost of Service" as defined in the enabling legislation. These subsidies are funded subsequent to the year in which the costs are incurred. Therefore, the Authority issues revenue anticipation notes to cover cash flow deficiencies until funding is received.

During the year ended June 30, 2012 and 2011, the following changes occurred in the Authority's revenue anticipation notes (RANs):

| | <u>2012</u> | <u>2011</u> |
|-------------------|---------------------|---------------------|
| Beginning balance | \$ 4,250,000 | \$ 3,509,806 |
| New notes issued | 4,000,000 | 4,250,000 |
| Notes retired | (4,250,000) | (3,509,806) |
| Ending balance | <u>\$ 4,000,000</u> | <u>\$ 4,250,000</u> |

The RAN outstanding at June 30, 2012 is due in May, 2013, bears interest at .55% and is fully guaranteed by the Commonwealth of Massachusetts. The RAN is expected to be refinanced upon maturity with generally the same terms as the note currently outstanding. Therefore, it is short-term debt expected to be refinanced and is included in the accompanying statement of net assets as a noncurrent liability. The above balances are inclusive of note premium activity.

10. Restricted Net Assets

Restricted net assets are comprised of the total restricted net assets less liabilities payable from restricted net assets. The following delineates the expendable versus nonexpendable restricted net assets:

| | <u>2012</u> | <u>2011</u> |
|------------------------------------|-------------------|-------------------|
| Expendable | | |
| Restricted by enabling legislation | \$ 269,590 | \$ 269,590 |
| Nonexpendable | - | - |
| | <u>\$ 269,590</u> | <u>\$ 269,590</u> |

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2012 and 2011

11. Leases

Operating lease

The Authority leases land from the Martha's Vineyard Airport Commission under a long-term, non-cancellable, operating lease. The lease commenced April 1, 2000 and terminates March 31, 2020. The agreement provides for annual rent increases tied to the consumer price index and an option to renew exists for an additional 20 years.

The future minimum lease payments are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2013 | \$ 63,928 |
| 2014 | 63,928 |
| 2015 | 63,928 |
| 2016 | 63,928 |
| 2017 | 63,928 |
| 2018 - 2020 | 175,802 |
| | <u>\$ 495,442</u> |

Aggregate rental expense for 2012 and 2011 was \$63,078 and \$61,864, respectively.

The Martha's Vineyard Airport Commission is a political subdivision of the Commonwealth of Massachusetts. Therefore, it is a related party to the Authority, see Note 14.

12. Employees' Retirement Benefits

Pension

The Authority provides retirement benefits to employees through the Dukes County Contributory Retirement System (The System). The System operates a cost sharing, multi-employer, defined benefit pension plan. The Plan covers all eligible employees and provides retirement, disability, cost-of-living adjustments and death benefits to Plan members and beneficiaries.

The System is a member of the Massachusetts Contributory Retirement System and is governed by Massachusetts General Laws, Chapter 32. Oversight of the System is provided by a five person Retirement Board. The System issues a publicly unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at RR 1, P.O. Box 862, Vineyard Haven, MA 02568.

Plan members are required to pay into the System 5% to 11% of their covered compensation. The Authority is required to pay into the System its share of the remaining System-wide actuarially determined contribution. This contribution is apportioned among employers based on active current payroll. The contribution requirements of plan members and the Authority are established and may be amended by Massachusetts General Laws, Chapter 32.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2012 and 2011

12. Employees' Retirement Benefits (continued)

Pension (continued)

The Authority's current year contribution to the System was \$72,200. The Authority's contributions to the Plan for the years ending June 30, 2011 and 2010 were \$68,918 and \$64,728, respectively. The above contributions were equal to the Authority's required contributions for each year.

Post Employment Healthcare Benefits

Plan Description – In addition to pension benefits the Authority provides postemployment health care benefits for eligible employees who have attained age 55 and render at least 10 or more years of service or at any age with 20 years of service, until the employee is eligible for Medicare. The benefits, benefit level, employee contributions and employer contributions are governed by the Authority. As of July 1, 2010, the actuarial valuation date, approximately 8 active employees and no retirees meet eligibility requirements. The plan does not issue separate stand-alone financial statements.

Benefits Provided – Medical coverage, excluding dental, under the group health insurance plan for regular full-time employees will continue until the employee is eligible for Medicare. Coverage for the dependents of such regular full-time employees will also continue during this period provided that the employee pay 25% of the enrollment cost as established annually by the Plan administrator. Once the retired employee is entitled to Medicare, health care coverage for the employee's spouse will continue as provided for under COBRA, provided that the employee pay 100% of the enrollment costs as established annually by the Plan administrator.

Funding Policy – The retired employee must pay 25% of the enrollment cost (the "working rate") as established annually by the Plan administrator. The Authority contributes the remainder of the health plan costs on a fully funded basis.

Annual OPEB Costs and Net OPEB Obligation – The Authority's annual OPEB expense is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB No. 45, *Accounting and Financial Reporting by Employers*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability over a period not to exceed 30 years. The components of the Authority's annual OPEB cost for the years ended June 30, 2012 and 2011, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation based on an actuarial valuation as of July 1, 2010 are as follows:

| | <u>2012</u> | <u>2011</u> |
|---|------------------|------------------|
| Annual required contribution (ARC) | \$ 37,005 | \$ 33,071 |
| ARC adjustment | (2,830) | (1,649) |
| Interest on net OPEB obligation | 6,791 | 3,960 |
| Annual OPEB cost | <u>40,966</u> | <u>35,382</u> |
| Contributions made | <u>(92,442)</u> | <u>-</u> |
| Increase in net OPEB obligation | (51,476) | 35,382 |
| Net OPEB obligation - beginning of year | 84,880 | 49,498 |
| Net OPEB obligation - end of year | <u>\$ 33,404</u> | <u>\$ 84,880</u> |

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2012 and 2011

12. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and 2011 are as follows:

| <u>Fiscal Years Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage Annual OPEB Contribution</u> | <u>Net OPEB Obligation</u> |
|---------------------------|-------------------------|--|----------------------------|
| June 30, 2011 | \$ 35,382 | 0.0% | 84,880 |
| June 30, 2012 | \$ 40,966 | 225.0% | 33,404 |

Funded Status and Funding Progress – The funded status of the plan as of June 30, 2012 was as follows:

| | |
|---|-------------------|
| Actuarial accrued liability (AAL) | \$ 215,830 |
| Actuarial value of plan assets | (92,442) |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 123,388</u> |
| Funded ratio (actuarial value of plan assets/AAL) | <u>42.8%</u> |
| Covered payroll (active plan members) | <u>491,652</u> |
| UAAL as a percentage of covered payroll | <u>25.1%</u> |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the plan as understood by the Authority and plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2012 and 2011

12. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

In the July 1, 2010 actuarial valuation, the projected unit credit method was used. The actuarial value of the assets was \$92,442 and is recorded at market value. The actuarial assumptions included a 4.0% investment rate of return and an annual healthcare cost trend rate of 10.0% initially, reduced by 1.0% per year to an ultimate rate of 5.0% after six years. Both rates include a 4.5% general inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2012 was 28 years.

13. Commitments and Contingencies

- a) Litigation – In the normal course of operations, the Authority has been named in various claims and litigation. Based upon information available to counsel and the Authority, management believes that the ultimate outcome from these claims and litigations will not have a material adverse effect on the Authority's financial position.
- b) Federal and State Grants - The Authority has received capital and operating financial assistance from Federal and State agencies in the form of grants. Expenditure of funds under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. In the opinion of Authority Management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements.
- c) Risk management – The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers compensation claims. The Authority carries commercial insurance to cover these potential losses. Settlements have not exceeded coverage for each of the past three fiscal years.

The Authority's workers compensation coverage is insured under a retrospectively rated policy. In the opinion of management, any audit adjustment made by the insurance carrier will not be material to the accompanying financial statements.

- d) Purchase commitments – As of June 30, 2012, the Authority did not have material purchase commitments outstanding.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2012 and 2011

14. Related Party Transactions

Transactions with MassDOT and the Commonwealth are as follows:

- a. Receivables for operating and capital assistance are delineated in Note 5.
- b. Actual operating and capital assistance is as follows:

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|---------------------|
| Operating assistance | | |
| Commonwealth appropriations | \$ 1,191,870 | \$ 1,125,375 |
| Federal pass-through grants | | |
| Rural operating grant | 733,559 | 738,717 |
| American Recovery and Reinvestment Act | 51,742 | 201,742 |
| New Freedom Program | 114,160 | |
| Local (Towns) assistance | 786,299 | 767,121 |
| Capital assistance | | |
| Commonwealth appropriations | 475,144 | 1,487,000 |
| Federal pass-through grants | | |
| American Recovery and Reinvestment Act | | 516,319 |
| | <u>3,352,774</u> | <u>4,836,274</u> |
| Operating lease, see Note 11, lease expense | 63,078 | 61,864 |
| Registry of Motor Vehicles | <u>26,400</u> | <u>23,650</u> |
| Total related party transactions | <u>\$ 3,442,252</u> | <u>\$ 4,921,788</u> |

15. Reserve for Extraordinary Expense

In accordance with Section 6 of Chapter 161B of the General Laws of the Commonwealth, the Authority is allowed to establish a reserve account for the purpose of meeting the cost of extraordinary expenses in an amount not to exceed three percent of the prior year's local assessment. Any balance in the reserve account at the end of the fiscal year may be carried forward into the next fiscal year; provided, however, that the aggregate amount in the account does not exceed twenty percent of the prior year's local assessment. In fiscal years 2012 and 2011, the Authority increased the reserve for extraordinary expenses by none and \$3,705, respectively. The aggregate reserve at June 30, 2012 and 2011 was \$151,905, which represents 20% of the applicable local assessments in each year.

The reserve for extraordinary expense is included in the accompanying statement of net assets in the Net assets category, restricted account.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
 (a Component Unit of the Massachusetts Department of Transportation)
 Required Supplementary Information (Unaudited)
 Retiree Health Plan Funding Progress
 June 30, 2012

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|--|---------------------------|-----------------|--------------------|--|
| | (a) | (b) | (b - a) | (a/b) | (c) | ([b - a] / c) |
| 7/1/2010 | \$ 92,442 | \$ 215,830 | \$ 123,388 | 42.8% | \$ 491,652 | 25.1% |

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Schedule 1

STATEMENT OF NET COST OF SERVICE (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2012
FORM 1

| | Rural Area <u>Service</u> |
|--|------------------------------|
| I. Operating Costs | |
| A. RTA administrative costs (excluding depreciation) | \$ 187,524 |
| B. Purchased services | |
| Fixed route | 3,660,703 |
| Demand response | 429,163 |
| Brokerage services | 52,534 |
| C. Debt Service | <u>41,527</u> |
| Total Operating Costs | 4,371,451 |
| II. Federal Operating Assistance | |
| A. FTA operating and administrative | 847,719 |
| B. Other federal (ARRA) | <u>51,742</u> |
| Total Federal Assistance | 899,461 |
| III. Revenues | |
| A. Farebox Revenue | 1,312,919 |
| B. Brokerage service reimbursement | 52,534 |
| C. Other third party reimbursement | 91,262 |
| D. Other Revenues | |
| 1. Advertising | |
| 2. Parking | |
| 3. Sale of capital assets | |
| 4. Interest income | 5,706 |
| 5. Miscellaneous - rent income | <u>31,400</u> |
| Total Other Revenues | 37,106 |
| IV. Net Operating Deficit (I-II-III) | 1,978,169 |
| V. Adjustments | |
| A. Extraordinary expenses (not to exceed 3% of prior year's local assessment) | |
| B. Stabilization fund | |
| C. Current expense | <u>-</u> |
| VI. Net Cost of Service (IV+V) | 1,978,169 |
| VII. Net Cost of Service Funding | |
| A. Local Assessments | 786,299 |
| B. State contract assistance | 1,191,870 |
| 1. LESS: Adjustment for exceeding 2.5% cap on prior year net operating expenses | <u>-</u> |
| C. State Contract Assistance to be funded | 1,191,870 |
| 1. LESS: Partial payment made by the Commonwealth after July 1 | <u>(1,069,106)</u> |
| D. Balance requested from the State | \$ 122,764 |
| VIII. Unreimbursed Deficit (VI-VIIA-VIIC) | |

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Schedule 2

Net Cost of Service-Calculation Worksheet and Supplementary Data (Unaudited)

For the Year Ended June 30, 2012
Form 2

I. Proof calculations and other required information:

| | |
|--|------------------|
| A. Prior year operating expenses, net of fully funded costs brokerage service | \$ 4,198,458 |
| Allowable percentage increase | 2.5% |
| Prior year, net operating expenses times 2.5% | <u>104,961</u> |
| Current year, allowable net operating expense | 4,303,419 |
| Plus adjustments: | |
| ADA expenses in excess of the 2.5% cap | 15,498 |
| Brokerage funded costs | 52,534 |
| New service costs | |
| Other: (explain) Amount over amount needed to comply | |
| Total allowable operating costs (maximum allowed on Form 1, Line 1) | <u>4,371,451</u> |
| B. Amount of extraordinary expenses (See V. Adjustments, Form 1) | |
| Prior year local assessment | <u>767,121</u> |
| Percentage of extraordinary to prior local assessments (not to exceed 3%) | 0.0% |
| C. Aggregate amount of reserve account at June 30. | 151,905 |
| Prior year local assessment | <u>767,121</u> |
| Percentage of reserve account to prior local assessment (not to exceed 20%) | 19.8% |
| D. State the management fee paid to major service providers as a percentage of operating costs incurred. | 2.0% |
| E. State the percentage of benefits paid by RTA on behalf of RTA employees for: | |
| 1. Group life and accidental death insurance | N/A |
| 2. Group health insurance | 75.0% |
| F. State the brokerage service contracts costs as a percentage of total operating costs. | 1.2% |
| G. Stabilization Fund | |
| 1. Current year | |
| 2. Aggregate balance | 117,685 |

Schedule of Local (Towns) Funding (Unaudited)

Year Ended June 30, 2012

| <u>Community</u> | <u>Share</u> |
|------------------|-------------------|
| Aquinnah | \$ 33,843 |
| Chilmark | 120,361 |
| Edgartown | 208,925 |
| Oak Bluffs | 116,540 |
| Tisbury | 197,461 |
| West Tisbury | <u>109,169</u> |
| | <u>\$ 786,299</u> |